

**THE FRIENDS OF WWOZ, INC.***Audits of Financial Statements*

June 30, 2011 and 2010

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date NOV 02 2011

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## Independent Auditor's Report

To the Officers and Board of Directors  
Friends of WWOZ, Inc.

We have audited the accompanying statements of financial position of the Friends of WWOZ, Inc. (the Station) (a nonprofit organization) as of June 30, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Station's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Friends of WWOZ, Inc. as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

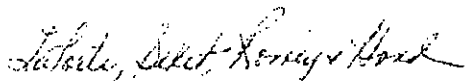
In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2011, on our consideration of the Friends of WWOZ, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

NEW ORLEANS HOUSTON BATON ROUGE COVINGTON

An Independently Owned Member, McGladrey Alliance

McGladrey & Pullen, a member of the McGladrey Alliance, is a registered public accounting firm licensed to practice in Louisiana. The McGladrey Alliance is not a member of the McGladrey Alliance, which is a separate legal entity. The McGladrey Alliance is not a member of the McGladrey Alliance, which is a separate legal entity.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of grant activity, included on pages 19 - 20, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The schedules of grant activity have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the schedules are fairly stated in all material respects in relation to the financial statements taken as a whole.



A Professional Accounting Corporation

September 19, 2011

**FRIENDS OF WWOZ, INC.**  
**Statements of Financial Position**  
**June 30, 2011 and 2010**

	2011	2010
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 244,802	\$ 500,918
Capital Campaign Pledges Receivable	260,251	160,251
Other Current Assets	20,778	18,538
Grant Receivable	164,375	1,350,798
Inventory	-	2,563
Prepaid Expenses	42,824	23,336
<b>Total Current Assets</b>	<b>733,030</b>	<b>2,056,404</b>
Property and Equipment, Net	490,540	521,456
Restricted Cash	89,850	99,641
<b>Total Assets</b>	<b>\$ 1,313,420</b>	<b>\$ 2,677,501</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 27,926	\$ 1,121,814
Deferred Revenue	12,288	13,851
<b>Total Current Liabilities</b>	<b>40,214</b>	<b>1,135,665</b>
<b>Net Assets</b>		
<b>Unrestricted</b>		
Undesignated	432,565	648,615
Designated for Equipment	490,540	521,456
<b>Total Unrestricted</b>	<b>923,105</b>	<b>1,170,071</b>
<b>Temporarily Restricted</b>	<b>350,101</b>	<b>371,765</b>
<b>Total Net Assets</b>	<b>1,273,206</b>	<b>1,541,836</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,313,420</b>	<b>\$ 2,677,501</b>

The accompanying notes are an integral part of these financial statements.

**FRIENDS OF WWOZ, INC.**  
**Statement of Activities**  
**For the Year Ended June 30, 2011**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Revenue and Support</b>			
Contributions and Membership Fees	\$ 1,533,166	\$ -	\$ 1,533,166
Development Production Grants	679,879	-	679,879
Underwriting	161,512	-	161,512
Special Events	175,965	-	175,965
Interest Income	1,381	-	1,381
Other Revenues	1,146,467	-	1,146,467
Net Assets Released from Restrictions	21,664	(21,664)	-
<b>Total Revenue and Support</b>	<b>3,720,034</b>	<b>(21,664)</b>	<b>3,698,370</b>
<b>Expenses</b>			
<b>Program Services</b>			
Programming and Production	899,396	-	899,396
Broadcasting and Internet Services	744,720	-	744,720
Program Information and Promotion	133,385	-	133,385
<b>Total Program Services</b>	<b>1,777,501</b>	<b>-</b>	<b>1,777,501</b>
<b>Supporting Services</b>			
<b>Fundraising and Membership Development</b>			
Program and Membership Development	1,584,872	-	1,584,872
Program Underwriting and Grant Solicitation	127,902	-	127,902
<b>Total Fundraising and Membership Development</b>	<b>1,712,774</b>	<b>-</b>	<b>1,712,774</b>
<b>Management and General</b>	<b>476,725</b>	<b>-</b>	<b>476,725</b>
<b>Total Supporting Services</b>	<b>2,189,499</b>	<b>-</b>	<b>2,189,499</b>
<b>Total Expenses</b>	<b>3,967,000</b>	<b>-</b>	<b>3,967,000</b>
<b>Change in Net Assets</b>	<b>(246,966)</b>	<b>(21,664)</b>	<b>(268,630)</b>
<b>Net Assets, Beginning of Year</b>	<b>1,170,071</b>	<b>371,765</b>	<b>1,541,836</b>
<b>Net Assets, End of Year</b>	<b>\$ 923,105</b>	<b>\$ 350,101</b>	<b>\$ 1,273,206</b>

The accompanying notes are an integral part of these financial statements.

**FRIENDS OF WWOZ, INC.**  
**Statement of Activities**  
**For the Year Ended June 30, 2010**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Revenue and Support</b>			
Contributions and Membership Fees	\$ 1,526,838	\$ -	\$ 1,526,838
Development Production Grants	682,002	-	682,002
Underwriting	180,189	-	180,189
Special Events	137,128	-	137,128
Interest Income	2,260	-	2,260
Other Revenues	1,155,642	-	1,155,642
Net Assets Released from Restrictions	212,685	(212,685)	-
<b>Total Revenue and Support</b>	<b>3,896,744</b>	<b>(212,685)</b>	<b>3,684,059</b>
<b>Expenses</b>			
<b>Program Services</b>			
Programming and Production	910,142	-	910,142
Broadcasting and Internet Services	694,837	-	694,837
Program Information and Promotion	89,082	-	89,082
<b>Total Program Services</b>	<b>1,694,061</b>	<b>-</b>	<b>1,694,061</b>
<b>Supporting Services</b>			
<b>Fundraising and Membership Development</b>			
Program and Membership Development	1,634,889	-	1,634,889
Program Underwriting and Grant Solicitation	131,484	-	131,484
<b>Total Fundraising and Membership Development</b>	<b>1,766,373</b>	<b>-</b>	<b>1,766,373</b>
<b>Management and General</b>	<b>394,450</b>	<b>-</b>	<b>394,450</b>
<b>Total Supporting Services</b>	<b>2,160,823</b>	<b>-</b>	<b>2,160,823</b>
<b>Total Expenses</b>	<b>3,854,884</b>	<b>-</b>	<b>3,854,884</b>
<b>Change in Net Assets</b>	<b>41,860</b>	<b>(212,685)</b>	<b>(170,825)</b>
<b>Net Assets, Beginning of Year</b>	<b>1,128,211</b>	<b>584,450</b>	<b>1,712,661</b>
<b>Net Assets, End of Year</b>	<b>\$ 1,170,071</b>	<b>\$ 371,765</b>	<b>\$ 1,541,836</b>

The accompanying notes are an integral part of these financial statements.

**FRIENDS OF WWOZ, INC.**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2011**

	Supporting Services			Total Supporting Services	Program Services			Total Program Services
	Agency Total	Management and General	Fundraising and Membership Development		Programming and Production	Broadcasting and Internet Services	Program Information and Promotion	
<b>Expenses</b>								
Salaries, Payroll Taxes and								
Employee Benefits	\$ 785,148	\$ 213,825	\$ 217,540	\$ 431,365	\$ 182,307	\$ 171,476	\$ -	\$ 353,783
Professional Services	134,279	61,950	25,311	87,261	-	47,018	-	47,018
IT Support Services	12,759	2,195	-	2,195	257	10,307	-	10,564
Contract Labor	31,318	-	28,762	28,762	-	2,556	-	2,556
Website	268,629	-	-	-	-	268,629	-	268,629
Program Production	246,999	-	40,061	40,061	122,425	-	84,513	206,938
Membership Premiums	71,744	-	71,744	71,744	-	-	-	-
Occupancy	134,379	16,615	66,747	83,362	18,056	32,961	-	51,017
Telephone	58,683	8,958	8,980	17,938	9,679	31,066	-	40,745
Office Supplies and Postage	23,122	9,033	4,842	13,975	6,557	2,590	-	9,147
Jazz Fest Related Expenses	1,099,120	-	549,560	549,560	549,560	-	-	549,560
Graphics	34,898	5,678	27,126	32,804	1,669	425	-	2,094
Special Events	587,585	-	579,260	579,260	-	8,325	-	8,325
Affiliation Fees	18,135	-	227	227	-	-	17,908	17,908
Financial Fees	44,459	6,019	38,440	44,459	-	-	-	-
Insurance	43,288	4,518	-	4,518	-	38,770	-	38,770
Mobile Truck	10,161	-	-	-	-	10,161	-	10,161
Operations and Maintenance	89,649	3,888	40,950	44,838	3,888	40,923	-	44,811
Related Business	106,977	16,181	-	16,181	-	77,130	13,666	90,796
Development and Training	33,729	13,584	13,124	26,708	4,638	2,383	-	7,021
Other Expenses	18,553	895	-	895	360	-	17,298	17,658
Bad Debt Expense	17,574	17,574	-	17,574	-	-	-	-
Depreciation	95,812	95,812	-	95,812	-	-	-	-
<b>Total Expenses</b>	<b>\$ 3,967,000</b>	<b>\$ 476,725</b>	<b>\$ 1,712,774</b>	<b>\$ 2,189,499</b>	<b>\$ 899,396</b>	<b>\$ 744,720</b>	<b>\$ 133,385</b>	<b>\$ 1,777,501</b>

The accompanying notes are an integral part of these financial statements.



**FRIENDS OF WWOZ, INC.**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2010**

	Supporting Services			Total Supporting Services	Program Services			Total Program Services
	Agency Total	Management and General	Fundraising and Membership Development		Programming and Production	Broadcasting and Internet Services	Program Information and Promotion	
<b>Expenses</b>								
Salaries, Payroll Taxes and								
Employee Benefits	\$ 673,754	\$ 156,735	\$ 160,641	\$ 317,376	\$ 179,991	\$ 176,387	\$ -	\$ 356,378
Professional Services	131,647	59,822	20,555	80,377	-	51,270	-	51,270
IT Support Services	8,080	2,879	-	2,879	1,219	3,982	-	5,201
Contract Labor	53,931	4,845	45,891	50,736	-	3,195	-	3,195
Website	257,658	-	-	-	-	257,658	-	257,658
Program Production	234,329	-	48,227	48,227	127,439	-	58,663	186,102
Membership Premiums	46,103	-	46,103	46,103	-	-	-	-
Equipment	22,353	-	-	-	-	22,353	-	22,353
Occupancy	111,684	15,196	65,422	80,618	16,079	14,987	-	31,066
Telephone	34,302	10,384	10,258	20,642	12,298	1,362	-	13,660
Office Supplies and Postage	41,403	5,406	32,724	38,130	3,273	-	-	3,273
Jazz Fest Related Expenses	1,119,278	-	559,639	559,639	559,639	-	-	559,639
Graphics	35,485	2,824	28,992	31,616	3,447	422	-	3,869
Special Events	655,685	-	647,250	647,250	-	8,435	-	8,435
Affiliation Fees	25,294	-	12,794	12,794	-	-	12,500	12,500
Financial Fees	43,916	5,479	38,437	43,916	-	-	-	-
Insurance	47,783	3,521	-	3,521	-	44,262	-	44,262
Mobile Truck	8,178	-	-	-	-	8,178	-	8,178
Operations and Maintenance	88,179	4,812	38,758	43,570	4,029	40,580	-	44,609
Related Business	89,956	20,135	-	20,135	-	61,184	8,637	69,821
Development and Training	18,319	6,822	10,682	17,504	233	582	-	815
Other Expenses	15,227	3,450	-	3,450	2,455	-	9,282	11,777
Depreciation	92,340	92,340	-	92,340	-	-	-	-
<b>Total Expenses</b>	<b>\$ 3,854,884</b>	<b>\$ 394,450</b>	<b>\$ 1,766,373</b>	<b>\$ 2,160,823</b>	<b>\$ 910,142</b>	<b>\$ 694,837</b>	<b>\$ 89,082</b>	<b>\$ 1,694,061</b>

The accompanying notes are an integral part of these financial statements.

**FRIENDS OF WWOZ, INC.**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2011 and 2010**

	2011	2010
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ (268,630)	\$ (170,825)
Adjustment to Reconcile Change in Net Assets to Net Cash Used in Operating Activities		
Depreciation	95,812	92,340
Changes in Assets and Liabilities		
(Increase) Decrease in Capital Campaign Pledges	(100,000)	139,749
Increase in Other Current Assets	(2,240)	(1,968)
Decrease (Increase) in Grant Receivable	1,186,423	(213,702)
Decrease in Inventory	2,563	-
(Increase) Decrease in Prepaid Expenses	(19,488)	473
Decrease in Restricted Assets	9,791	-
(Decrease) Increase in Accounts Payable	(1,093,888)	31,812
Decrease in Deferred Revenue	(1,563)	(16)
<b>Net Cash Used in Operating Activities</b>	<u>(191,220)</u>	<u>(122,137)</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of Property and Equipment	<u>(64,896)</u>	<u>(14,301)</u>
<b>Net Cash Used in Investing Activities</b>	<u>(64,896)</u>	<u>(14,301)</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	(256,116)	(136,438)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>500,918</u>	<u>637,356</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 244,802</u></u>	<u><u>\$ 500,918</u></u>

The accompanying notes are an integral part of these financial statements.

## **FRIENDS OF WWOZ, INC.**

### **Notes to Financial Statements**

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#### **Note 1. Summary of Significant Accounting Policies**

##### **Nature of Activities**

The Friends of WWOZ, Inc. (the Station) is a nonprofit community radio station which was organized under the laws of the State of Louisiana on June 16, 1986. The Station operates a noncommercial, educational radio station which was licensed to operate by the Federal Communications Commission on October 29, 1981. The Station's call letters are WWOZ-FM. The mission of the Station is to celebrate the cultural diversity of New Orleans and its surrounding regions through music and information. The Station is funded mainly by federal and state grants, support from the New Orleans Jazz and Heritage Foundation (the Foundation), community fundraising, and underwriting contributions.

##### **Basis of Accounting**

The accounts of the Station are maintained in conformity with the principles of not-for-profit accounting. The accompanying financial statements of the Station have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

##### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

##### **Allowance for Doubtful Accounts**

Accounts receivable are recorded at the amount the Station expects to collect on balances outstanding as of June 30, 2011. Management closely monitors outstanding balances and writes off balances when they are deemed to be uncollectible on the basis of specific identification. No allowance for doubtful accounts was considered necessary at June 30, 2011 and 2010. The use of this method does not differ materially from the allowance method required by accounting principles generally accepted in the United States of America.

##### **Property and Equipment**

The Station records all asset acquisitions at cost, except for assets donated to the Station. Donated assets are recorded at appraisal value or estimated fair value determined as of the date of donation.

Acquisitions of property and equipment in excess of \$1,000 and all expenditures for improvements that materially prolong the useful lives of assets are capitalized.

Equipment acquired with funds received through grants or contributions on which specific objectives are stipulated are reported as net assets designated for equipment.

## FRIENDS OF WWOZ, INC.

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### Property and Equipment (Continued)

Depreciation expense is determined using the straight-line method and is intended to allocate the cost of the assets over their estimated useful lives as follows:

<b>Asset Category</b>	<b>Estimated Useful Life</b>
Leasehold Improvements	10 Years
Furniture and Fixtures	10 Years
Equipment	7 - 10 Years
Automobiles	5 Years
Computers	3 Years

##### Costs Incurred for Programs Not Yet Broadcast

Costs incurred for programs not yet broadcast are capitalized. Such costs relate to programs produced by the Station that will be broadcast subsequent to June 30<sup>th</sup>. Programs to be completed and broadcast within one year are classified as current assets whereas programs to be completed and broadcast in more than one year are classified as long-term. As the programs are broadcast, the costs incurred will be included in operating expenses. Program status is evaluated annually. Costs associated with programs not considered to have future benefit are adjusted to net realizable value. As of June 30, 2011 and 2010, there were no costs incurred for programs not yet broadcast.

##### Income Taxes

The Station's activities relating to the operation of its radio station are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Station qualifies as an organization that is not a private foundation as defined in Section 509(a) of the Code.

##### Revenue Recognition

Contributions and membership fees are recognized when they are received or unconditionally pledged. Conditional contributions are recognized when they are received with donor stipulations that limit the use of the contributions.

Support that is restricted by a donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Donor restricted contributions whose restrictions are met in the same reporting period, are reported as unrestricted support.

## **FRIENDS OF WWOZ, INC.**

### **Notes to Financial Statements**

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#### **Note 1. Summary of Significant Accounting Policies (Continued)**

##### **Revenue Recognition (Continued)**

Grant revenues are recognized when the grant is received or when the grantor makes a promise that is in substance, unconditional. For certain grants where eligibility is determined based on the Station's ability to secure financial support from other sources, the grant revenue is recognized when the conditions are substantially met. Certain grants are restricted for the purchase of equipment and for the payment of certain operational expenses. When the Station is notified that they are a recipient of these grants, the amounts are included as temporarily restricted grant revenue in the accompanying statements of activities. Grant funding received in advance of expenditures for allowable grant purposes is recognized as deferred (unearned) grant revenue.

Revenues and expenses from various activities conducted for the purpose of raising funds for the Station's operations, other than membership drives, are reported at gross amounts. The expenses include the cost of direct benefits to donors. The value of items donated for such events are not recorded as these amounts are not readily determinable.

##### **In-Kind Contributions**

The Station records as revenue the value of the free air space that they give to other businesses through trade agreements in exchange for free use of office facilities and supplies. Likewise, a similar amount is thus recorded as rent and supplies expense.

Contributed materials, supplies, facilities and property are recorded at their estimated fair value at the date of the donation. The Station reports gifts of equipment, professional services, materials, and other non-monetary contributions as unrestricted revenue in the accompanying statement of activities.

If the fair value of contributed materials, supplies, facilities and property cannot be reasonably determined, they are not recorded. Donated personal services of non-professional volunteers, as well as national and local programming services, are not recorded as revenue and expenses as there is no objective basis available to measure the value of such services.

Contributed advertising and promotion are recorded at the fair value of the contribution portion of the total value received.

##### **Corporation for Public Broadcasting Community Service Grants**

The Corporation for Public Broadcasting (CPB) is a private, nonprofit grant making organization responsible for funding more than 1,000 television and radio stations. The CPB was established by Congress with the purpose of providing services, funding and advocacy for public television and radio stations in America. In doing so, the CPB annually awards grants to qualified stations, such as WWOZ-FM.

**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**Corporation for Public Broadcasting Community Service Grants (Continued)**

The Station receives a Community Service Grant from CPB annually. The funds from this grant may be used for general operations and are, therefore, reported on the accompanying financial statements as an increase in unrestricted net assets. The Station also receives a National Program Production and Acquisition Grant (NPPAG), which provides funding for restricted uses: either for the acquisition of programs produced for national distribution or the actual production of programs that are distributed nationally. NPPAG funds must be expended within 18 months of receipt. NPPAG funds are reported on the accompanying financial statements as an increase in temporarily restricted net assets until satisfaction of the time and purpose restrictions, after which they are reported as a release from temporarily restricted net assets and an increase in unrestricted net assets. If restrictions are satisfied within the period received, funds are reported as an increase in unrestricted net assets.

Certain general provisions must be satisfied in connection with the application for and use of grants to maintain eligibility and meet compliance requirements. These general provisions pertain to the use of grant funds, record keeping audits, financial reporting, mailing lists, and licensee status with the Federal Communications Commission.

**Advertising Costs**

Advertising costs are expensed in the year incurred.

**Commissions**

The Station has agreements with independent consultants to solicit and acquire funds for program underwriting and other activities related to public broadcasting. The agreements provide for payment of commissions to the consultants based on varying percentages of funds received.

**Statement of Cash Flows**

For the purposes of reporting cash flows, the Station considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**Financial Statement Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB), *Financial Statements of Not-For-Profit Organizations*, Accounting Standards Codification (ASC). In accordance with this codification, the Station is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Station is required to present a statement of cash flows.

As of June 30, 2011 and 2010, the Station has no permanently restricted net assets.

## FRIENDS OF WWOZ, INC.

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### Allocation of Functional Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, program and supporting service expenses are specifically identified with or allocated to the Station's various functions. Expenses are allocated based primarily on direct payroll charges, equipment usage or space occupied, and on estimates made by the Station's management.

#### Note 2. Restricted Cash

As of June 30, 2011 and 2010, total cash of \$89,850 and \$99,641, respectively, is restricted for purchasing equipment and furnishings, constructing a new building, payment of legal and professional expenses, and leasehold improvements. These funds were generated through capital campaign efforts during the year ended June 30, 2009.

#### Note 3. Property and Equipment

Property and equipment at June 30, 2011 and 2010, consisted of the following:

	2011	2010
Office Furniture and Fixtures	\$ 12,980	\$ 12,980
Broadcast Equipment	712,007	702,216
Broadcast Trucks	154,347	150,331
Radio Station Equipment	180,616	129,527
Leasehold Improvements	39,750	39,750
Total	1,099,700	1,034,804
Less: Accumulated Depreciation	(609,160)	(513,348)
Property and Equipment, Net	\$ 490,540	\$ 521,456

Depreciation expense for the fiscal years ended June 30, 2011 and 2010, totaled \$95,812 and \$92,340, respectively.

#### Note 4. Promises to Give

Promises to give were generated through the Station's Capital Campaign Efforts. These promises to give, totaling \$260,251 and \$160,251, as of June 30, 2011 and 2010, respectively, are unconditional and are due within one year. They are restricted for the purposes of purchasing equipment and furnishings, construction of a new building, payment of legal and professional expenses, and leasehold improvements.

## **FRIENDS OF WWOZ, INC.**

### **Notes to Financial Statements**

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#### **Note 5. Temporarily Restricted Net Assets**

Temporarily restricted net assets, totaling \$350,101 and \$371,765, as of June 30, 2011 and 2010, respectively, were generated through capital campaign contributions and are restricted for use in purchasing equipment and furnishings, construction of a new building, payment of legal and professional expenses, and leasehold improvements.

#### **Note 6. Concentration of Credit Risk**

The Station maintains demand deposit account balances at a bank and a stock brokerage firm. The accounts contain cash and marketable securities. The Station maintains cash deposits in a commercial bank that at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The Station has entered into an agreement with a financial institution to invest its cash in overnight repurchase agreements in order to secure its cash balances.

#### **Note 7. Line of Credit**

At June 30, 2011, the Station had an unused line of credit with a financial institution for \$250,000 at 3.25%, maturing on December 16, 2011. At June 30, 2010, the Station had an unused line of credit with a financial institution for \$250,000 at 3.25%, maturing on December 3, 2010.

#### **Note 8. Commitments and Contingencies**

##### **Leases**

The Station leases its office and studio pursuant to a non-cancellable lease which dates to July 1, 2008. The lease stipulates a minimum annual rent of \$21,000, plus the value of a trade agreement with the lessor for advertising through the Station with an annual value of \$50,200. The trade agreement must be renegotiated annually to the satisfaction of the lessor. The lease terminated on June 30, 2010, and is in the process of being renegotiated. Rent expense related to this office space totaled \$71,200, for each of the years ended June 30, 2011 and 2010.

Rent paid for the transmitter site lease at Tulane University totaled \$5,500, for the years ended June 30, 2011 and 2010.

Various rental expenses resulting from month to month operating leases of equipment and a storage facility approximated \$48,600 and \$32,500, for the years ended June 30, 2011 and 2010, respectively.



## **FRIENDS OF WWOZ, INC.**

### **Notes to Financial Statements**

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#### **Note 8. Commitments and Contingencies (Continued)**

##### **Leases (Continued)**

The Station executed a long-term lease agreement effective April 1, 2002, with the City of New Orleans for a parcel of land. The initial term of the lease is for forty (40) years ending on March 31, 2042. The annual rental was \$75 for the first five (5) years. The lease was renewed at the end of the five year period with a continued annual rent of \$75. The agreement provides for two (2) option renewal periods of twenty-five (25) and twenty-four (24) years duration, respectively.

##### **Contingencies**

The Station is a recipient of grants from federal and state funds. These grants are governed by various federal and state guidelines, regulations and contractual agreements. The administration of the program and activities funded by these grants is under the control and administration of the Station and is subject to audit and/or review by the applicable funding sources. Any grant or award of funds found not to be properly spent in accordance with the terms, conditions, and regulations of the funding sources may be subject to recapture.

#### **Note 9. Broadcast Hours**

The broadcast hours of the radio station were 8,760 (unaudited), for the years ended June 30, 2011 and 2010.

#### **Note 10. Retirement Plan**

The Station has a qualified defined contribution retirement plan (the Plan) covering substantially all employees. Eligibility in the Plan is based upon years of employment with the Station. Contributions made by the Station are discretionary. Retirement expense for the fiscal years ended June 30, 2011 and 2010, totaled \$16,549 and \$6,458, respectively.

#### **Note 11. Risk Management**

The Station is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets for which the Station carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

#### **Note 12. Board of Directors' Compensation**

The Board of Directors of the Friends of WWOZ, Inc. is a voluntary board; therefore, no compensation has been paid to any member.

## FRIENDS OF WWOZ, INC.

### Notes to Financial Statements

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#### Note 13. Corporation for Public Broadcasting Community Service Grants

As disclosed in Note 1, the Station received various Community Service Grants from the Corporation for Public Broadcasting. During the fiscal years ended June 30, 2011 and 2010, the Station received and expended the Community Service Grants as follows:

##### Fiscal Year Ended June 30, 2011

Grants Received	Purpose	Amount Funded	Amount Expended	Balance at June 30, 2011
Community Services Grant	Operations	\$ 187,275	\$187,275	\$ -
National Program Production and Acquisition Grant	Operations	\$ 69,093	\$ 69,093	\$ -
Stabilization Funds	Operations	\$ 48,549	\$ 48,549	\$ -

##### Fiscal Year Ended June 30, 2010

Received	Purpose	Funded	Expended	June 30, 2010
Community Services Grant	Operations	\$ 253,978	\$253,978	\$ -
National Program Production and Acquisition Grant	Operations	\$ 96,336	\$ 96,336	\$ -
Internet Acquisition Grant	Operations	\$ 22,039	\$ 22,039	\$ -

#### Note 14. Related - Party Transactions

The New Orleans Jazz and Heritage Foundation (the Foundation) appoints the president and the board members to the Board of Directors of the Station.

During the year ended June 30, 2011, the Foundation granted the Station \$1,099,120 to cover certain fees relating to the Jazz and Heritage Festival. This yearly grant covers all the rights, benefits, services and uses of property and fixtures at the Fair Grounds during the annual New Orleans Jazz and Heritage Festival. The amount granted varies from year to year, depending on the nature, scope and value of the rights, benefits, services and uses accorded to the Station in any particular year. This grant was repaid to the Jazz and Heritage Festival during the year ended June 30, 2011. The funds, totaling \$1,099,120, that were received from the Foundation are reported on the June 30, 2011 statement of activities within the other revenues line item. Expenses of an equal amount are reported on the June 30, 2011 statement of functional expenses within the Jazz Fest related expenses line item.

**Note 14. Related - Party Transactions (Continued)**

During the year ended June 30, 2010, the Foundation granted the Station \$1,119,278 to cover certain fees relating to the Jazz and Heritage Festival. This grant was repaid to the Jazz and Heritage Festival during the year ended June 30, 2011. A liability of this amount is reported on the June 30, 2010, statement of financial position within the accounts payable line item. The funds, totaling \$1,119,278, which were to be received from the Foundation, are reported on the June 30, 2010, statement of activities within the other revenues line item. Expenses of an equal amount are reported on the statement of functional expenses within the Jazz Fest related expenses line item.

During the year ended June 30, 2010, a Gulf aid concert was organized and held in response to the oil spill in the Gulf. The event's proceeds were administered by the Gulf Relief Foundation (GRF), a foundation that is controlled by an executive committee of which the Station's Manager is a member. The Station made a commitment of \$100,000 to GRF to assist in the production of the concert under a reimbursement agreement. The funds were paid to GRF by NOJHF on the Station's behalf in settlement of an outstanding capital campaign pledge. These funds were reimbursed to NOJHF during the year ended June 30, 2011, thus returning the capital campaign pledge to the Station to its original amount.

**Note 15. Income Taxes**

On July 1, 2009, the Station adopted the provisions of the *Accounting for Uncertainty in Income Taxes* Topic of the FASB ASC, which clarifies the accounting and recognition for income tax positions taken, or expected to be taken, in the Station's income tax returns. As a result of this adoption, the Station believes there was no impact to the financial statements and did not record any adjustment to the beginning balance of net assets.

All tax returns have been appropriately filed by the Station. The Station recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense. The Station files income tax returns with federal and state jurisdictions. The Station's open audit periods are 2008 - 2011. Management evaluated the Station's tax positions and concluded that the Station had taken no uncertain tax positions that require adjustments to the financial statements to comply with the provisions of this guidance.

**Note 16. Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, September 19, 2011, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

## **SUPPLEMENTAL INFORMATION**

**FRIENDS OF WWOZ, INC.**  
**Supplemental Information**  
**Schedule of Grant Activity**  
**For the Year Ended June 30, 2011**

**Schedule I**

<b>Sources</b>	<b>Identifying Number</b>	<b>Program Name</b>	<b>Contract Period</b>	<b>Grant Revenue / Expense</b>
Corporation for Public Broadcasting	FY 2011	Community Service Grant	11/13/10 - 3/1/11	\$ 187,275
	FY 2011	National Program Production and Acquisition Grant	10/1/10 - 9/30/11	69,093
	FY 2011	Stabilization Funds	7/1/10 - 6/30/11	43,149
	FY 2011	Stabilization Funds (American Archive Content)	7/1/10 - 6/30/11	5,400
Total Corporation for Public Broadcasting				<u>304,917</u>
New Orleans Jazz and Heritage Foundation	FY 2011	NOJHF Infrastructure Grant	7/1/10 - 6/30/11	<u>235,000</u>
New Orleans Tourism Marketing Corporation	FY 2011	NOTMC	7/1/10 - 6/30/11	<u>59,375</u>
Louisiana Division of the Arts	FY11-218	Stabilization - Institution	7/1/10 - 6/30/11	<u>18,000</u>
Arts Council of New Orleans	FY 2010-186	Community Arts Grant	1/1/10 - 12/31/10	<u>15,390</u>
Total Grants Revenue/Expenses				<u>\$ 632,682</u>

See independent auditor's report.

**FRIENDS OF WWOZ, INC.**  
**Supplemental Information**  
**Schedule of Grant Activity**  
**For the Year Ended June 30, 2010**

**Schedule I (Continued)**

Sources	Identifying Number	Program Name	Contract Period	Grant Revenue / Expense
Corporation for Public Broadcasting	FY 2010	Community Service Grant	11/13/09 - 3/1/10	\$ 253,978
	FY 2010	National Program Production and Acquisition Grant	10/1/08 - 9/30/10	96,336
	FY 2010	Internet Acquisition Grant	10/1/06 - 9/30/08	22,039
		Total Corporation for Public Broadcasting		<u>372,353</u>
United States Department of Commerce	11.550 PTFP	Public Telecommunications Facilities Program	10/1/06 - 12/31/08	<u>10,119</u>
United States Department of Commerce	11.550 PTFP	SURDNA	3/19/09 - 12/31/09	<u>11,713</u>
New Orleans Jazz and Heritage Foundation	FY 2010	NOJHF Infrastructure Grant	2/11/10 - 3/12/10	<u>235,000</u>
New Orleans Tourism Marketing Corporation	FY 2010	NOTMC	10/1/08 - 12/31/09	<u>50,000</u>
Arts Council of New Orleans	FY 2010	Community Arts Grant	7/22/09 - 3/15/09	19,495
	FY 2010	Community Arts Grant	01/01/09 - 12/31/09	7,000
	FY 2010	Community Arts Grant	01/01/09 - 12/31/09	691
		Total Arts Council of New Orleans		<u>27,186</u>
Total Grants Revenue/Expenses				<u>\$ 706,371</u>

See independent auditor's report.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Officers and Board of Directors  
Friends of WWOZ, Inc.

We have audited the financial statements of the Friends of WWOZ, Inc. (the Station) (a nonprofit organization) as of and for the years ended June 30, 2011 and 2010, and have issued our report thereon dated September 19, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Station's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Station's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Station's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Station's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, item 11-01, that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

NEW ORLEANS HOUSTON BATON ROUGE COVINGTON

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The McGladrey Alliance supports financial transparency and accountability and is not affiliated with any particular accounting firm. The McGladrey Alliance is a member of the McGladrey Alliance, which is a member of the McGladrey Alliance.

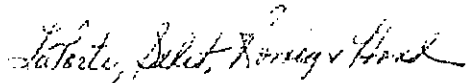
### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Station's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Station's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Station's response and, accordingly, we express no opinion on it.

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This report is intended solely for the information and use of management, others within the entity, the Board of Directors, and federal awarding agencies and pass-through entities, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

September 19, 2011



**FRIENDS OF WWOZ, INC.**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2011**

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**Part I - Summary of Auditor's Results**

**Financial Statement Section**

Type of Auditor's Report Issued	Unqualified
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Internal Control over Financial Reporting:

Material Weaknesses Identified?	No
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Significant Deficiencies Identified not Considered to be Material Weaknesses?	Yes
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Noncompliance Material to Financial Statements Noted?	No
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Management's Summary Schedule of Prior Audit Findings	See Attached
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Memorandum of Other Comments and Recommendations	Yes
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**Federal Awards Section**

Internal Control over Major Programs:

Material Weakness(es) Identified?	N/A
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Significant Deficiency(ies) Identified not Considered to be Material Weaknesses?	N/A
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Type of Auditor's Report on Compliance for Major Programs:	N/A
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Any Audit Findings Disclosed that are Required to be Reported in Accordance with OMB Circular A-133 (Section 510(a))?	N/A
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**Identification of Major Programs**

Dollar Threshold Used to Determine Type A and Type B Programs:	N/A
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Auditee Qualified as Low-Risk Auditee?	N/A
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**FRIENDS OF WWOZ, INC.**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2011**

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**Part II - Financial Statement Findings Section**

**Finding 11-01 - Documentation of Purchases with Station Credit Cards**

Condition: During our testing of credit card expenditures, we noted that a number of transactions did not have sufficient documentation to support the nature of the transaction.

Criteria: Management of the Station is responsible for the implementation of controls that ensure proper approval of transactions and filing and retention of supporting documentation.

Effect: The condition results in the possibility of improper coding of transactions.

Cause: Employees who have been issued a station-owned credit card have not consistently provided supporting documentation for their purchases. Only the credit card receipt (i.e. proof of payment) has been submitted as support for the transaction.

Recommendation: We recommend that payment of expenditures incurred through Station credit cards should not be processed until all documentation supporting the nature of the transaction is obtained.

Management Response: During the prior year, management established several new policies and procedures that focused on improving our completeness of support for all credit card purchases. These procedures included the adding of a monthly reconciliation, as well as a more sophisticated filing/tracking system for the supporting receipts. While great strides were made in the area of completeness, management also recognizes the need to become stronger when assessing the business need for, and the nature of, these credit card transactions. As such, our attention going forward will focus on collecting (and better organizing) those additional documents that support the accuracy of our expense coding on the general ledger. This will serve to provide better information as to the business purpose (nature) of these transactions. Specifically, our efforts will primarily entail obtaining the secondary, supporting (descriptive) paperwork that describes the nature of the transaction, and to also include such documentation with the receipt in the organizational manner that we established in the prior year.

**Part III - Federal Awards Findings and Questioned Costs**

Not applicable.

**FRIENDS OF WWOZ, INC.**  
**Management's Summary Schedule of Prior Audit Findings**  
**For the Year Ended June 30, 2011**

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**Finding 10-01 - Lack of Controls Over Disbursements**

Condition: During our review of equipment purchases, the support for several disbursements could not be located, including copies of purchase requests and receipts that pertained to purchases made on the station's credit card. Additionally, we noted most check request forms did not contain account codes for accounts being charged.

Status: Resolved.